

Message Text

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ACTION EUR-12

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FM AMCONSUL ST JOHNS

TO SECSTATE WASHDC 1304

INFO AMEMBASSY OTTAWA

AMCONSUL HALIFAX

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E.O. 11652 N/A

TAGS ECON EWWT CA

SUBJECT REACTION TO GOC SPENDING CUTS

REF OTTAWA 4767

1. ALTHOUGH PRESIDENT MERCER OF ST JOHN S BOARD OF TRADE WAS DISAPPOINTED THAT FEDERAL SPENDING CUTS ANNOUNCED BY PM TRUDEAU ON DEC 18 WERE TOO SLIGHT, HIS VIEWPOINT IS NOT SHARED BY PROVINCIAL GOVERNMENT, BY SPOKESMAN FOR ATLANTIC PROVINCES ECONOMIC COUNCIL (APEC), OR BY LOCAL PRESS. MERCER STATED HE "VERY DISAPPOINTED" WITH GOC S MOVES BECAUSE HE "HAD EXPECTED MUCH TOUGHER MOVES IN CERTAIN AREAS". HE NEVERTHELESS CALLED ON MANAGEMENT, LABOR, AND CONSUMERS TO RALLY BEHIND GOC AND SHOW WILLINGNESS TO MAKE PRESENT PROGRAM WORK.

2. ACTING NEWFOUNDLAND PREMIER JOHN CROSBIE IS WITHHOLDING
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DETAILED COMMENT ON GOC CUTS UNTIL HE GETS FULL DETAILS.

IN PRESS INTERVIEW, #HOWEVER, HE INDICATED BELIEF THAT RESTRAINTS IN PROGRAMS DESIGNED TO CREATE JOBS SHOULD NOT RESULT IN CUTBACKS IN HIGH UNEMPLOYMENT AREAS. IN THIS CONNECTION, HE MADE GUARDED EXPRESSIONS OF APPREHENSION ABOUT FREEZING OF DREE SPENDING AT THIS YEAR S LEVEL AND CUTBACK IN SPENDING FOR MANPOWER TRAINING. HE STATED HE BELIEVES OTTAWA UNDERSTANDS THAT "WE HAVE AN EMERGENCY HERE" AS FAR AS UNEMPLOYMENT IS CONCERNED AND THAT SITUATION WILL NOT BE BETTER NEXT YEAR. PROVINCE HAS NO FLEXIBILITY IN SPENDING AND MUST LOOK TO OTTAWA TO "TAKE UP THE SLACK".

3. SPEAKING FROM HALIFAX WITH REFERENCE TO ALL THE ATLANTIC PROVINCES, DR. WILLIAM JENKINS, APEC EXECUTIVE VICE-PRESIDENT, REPORTEDLY STATED THAT FEDERAL SPENDING RESTRAINTS PROGRAM IS "POLITICALLY ORIENTED EXERCISE WHICH BEARS LITTLE RELATIONSHIP TO TY ECONOMIC DEVELOPMENT OF THE COUNTRY". HE NOTED THAT, WHILE CERTAIN PARTS OF CANADA NEED COOLING OFF, ATLANTIC REGION CERTAINLY DID NOT. WITH SERIOUS CUTBACKS, ATLANTIC REGION BEING HINDERED RATHER THAN HELPED IN ITS EFFORTS TO CATCH UP WITH REMAINDER OF COUNTRY. IN FACT, ATLANTIC REGION BEING HIT HARDER THAN OTHER PARTS OF CANADA. STATEMENT WENT ON TO CRITIZE "GOVERNMENT S GIANT STRANGLEHOLD ON THE ECONOMY" AND ITS INDEFINITE STATEMENTS ON TAXATION OF EXPORT REVENUES EXCEEDING FEDERAL GUIDELINES.

4. BOTH ST.JOHN S DAILY NEWSPAPERS HAVE PRINTED BITTER AND APOCALYPTIC EDITORIALS DAMNING THE EFFECTS OF THE FEDERAL SPENDING CUTS ON THE ATLANTIC PROVINCES IN GENERAL AND ON NEWFOUNDLAND IN PARTICULAR. WITH NO HUMOR INTENDED, THE "DAILY NEWS" CALLED "THE NEWFIES, THE BLUENOSES, THE HERRING CHOKERS AND THE SPUD ISLANDJS" NOT ONLY "TH BUTT OF UPPER CANADIAN JOKESTERS" BUT ALSO "THE TRADITIONAL BACKSIDE OF CONFEDERATION". BOTH PAPERS POINTED OUT THAT IT WAS NOT THE ATLANTIC PROVINCES THAT CAUSED INFLATION BUT IT WILL BE THOSE PROVINCES THAT WILL BE HIT HARDEST WITH REDUCED FREIGHT SUBSIDIES, HIGHER FERRY CHARGES, NO EXPANSION IN DREE FUNDS, A MILLION-DOLLAR CUT IN THE BOAT BUILDING PROGRAM, AND CUTBACKS IN SOCIAL WELFARE SPENDING.

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